

Message Text

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PAGE 01 LISBON 00165 131340Z

41

ACTION EUR-12

INFO OCT-01 AF-06 ISO-00 SAM-01 CIAE-00 DODE-00 PM-03 H-01

INR-07 L-02 NSAE-00 NSC-05 PA-01 RSC-01 PRS-01 SP-02

SS-15 USIA-06 ACDA-05 IO-10 EB-07 AID-05 HUD-01 HEW-02

COME-00 FRB-01 TRSE-00 XMB-02 OPIC-03 CIEP-01 LAB-04

SIL-01 OMB-01 /107 W

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R 131233Z JAN 75

FM AMEMBASSY LISBON

TO SECSTATE WASHDC 1415

INFO AMCONSUL OPORTO

AMCONSUL PONTA DELGADA

AMCONSUL LUANDA

AMCONSUL LOURENCO MARQUES

USMISSION OECD PARIS

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USMISSION NATO

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E.O. 11652: N/A

TAGS: EFIN, ECON, PO

SUBJ: PRELIMINARY INFORMATION ON PORTUGAL'S 1975 BUDGET

REF: LISBON A-23 OF FEBRUARY 14, 1974

SUMMARY: PRELIMINARY INFORMATION ON THE 1975 BUDGET SUGGESTS THAT BOTH POLITICALLY AND ECONOMICALLY THE DOCUMENT IS A MODERATE ONE. IT DEEMPHASIZES MILITARY EXPENDITURES AND STRESSES ECONOMIC DEVELOPMENT. PRINCIPAL BENEFICIARIES OF BUDGET INCREASES ARE THOSE GOVERNMENT AGENCIES CONCERNED WITH HOUSING, PUBLIC WORKS, TRANSPORTATION AND COMMUNICATIONS, HEALTH, AND EDUCATION. END SUMMARY.

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PAGE 02 LISBON 00165 131340Z

1. NEWSPAPERS LAST WEEK PUBLISHED FIRST INFORMATION AVAILABLE ON

1975 BUDGET, WHICH HAS BEEN APPROVED BY GOP. WHILE DETAILED ANALYSIS MUST AWAIT BUDGET'S PUBLICATION IN OFFICIAL GAZETTE, ENOUGH INFORMATION IS AVAILABLE TO JUSTIFY SOME PRELIMINARY OBSERVATIONS.

2. GLOBAL 1975 BUDGET FIGURES, IN BILLIONS OF U.S. DOLLARS, FOLLOW WITH COMPARABLE 1974 FIGURES JUXTAPOSED FOR COMPARISON PURPOSES:

A. EXPENDITURES	1974	1975	PERCENT CHANGE
ORDINARY	1.22	1.77	45
EXTRAORDINARY	0.86	1.18	37
TOTAL	2.08	2.95	42

B. RECEIPTS

ORDINARY	1.56	2.21	42
EXTRAORDINARY	0.52	0.13	75
TOTAL	2.08	2.34	13

3. 1975 EXTRAORDINARY BUDGET EXPENDITURES ARE ALLOCATED AS FOLLOWS:

	1974	1975	PERCENT CHANGE
A. NATIONAL DEFENSE AND SECURITY	0.32	0.34	6

B. ECON. DEVELOP. AND AID TO OVERSEAS	0.54	0.84	56
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TOTAL	0.86	1.118	37
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4. OBSERVATIONS:

A. THE 1975 BUDGET FOLLOWS THE FIBURCATED PATTERN OF ITS PREDECESSORS BY PUTTING MOST DEFENSE AND DEVELOPMENT EXPENDITURES IN AN "EXTRAORDINARY BUDGET" AND ROUTINE OUTLAYS IN AN "ORDINARY BUDGET." THIS YEAR'S PRESENTATION, HOWEVER, DIFFERS BY MAKING AN HONEST EFFORT TO SHOW ACTUAL EXPENDITURES AND RECEIPTS AND CLEARLY IDENTIFYING THE BUDGET DEFICIT. (HERETOFORE, FOR COSMETIC REASONS, THE GOP UNDERESTIMATED BOTH EXPENDITURES AND RECEIPTS AND SHOWED WHAT SUPERFICIALLY LOOKED LIKE A BALANCED BUDGET.) THIS ATTEMPT AT ACCURACE SHOULD MAKE THE NEW LIMITED OFFICIAL USE

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PAGE 03 LISBON 00165 131340Z

BUDGET A MUCH MORE USEFUL ECONOMIC TOOL THAN ITS PREDECESSORS.

B. THIS FIRST "PEACETIME BUDGET" SHARPLY DIFFERS FROM ITS PREDECESSORS IN TONE. MIMILITARY EXPENDITURES ARE DOWN AS A PERCENTAGE OF THE EXTRAORDINARY BUDGET (FROM 37 PERCENT TO 29 PERCENT). INCREASED MILITARY EXPENDITURES IN THE ORDINARY BUDGET ARE ALMOST ENTIRELY CONSUMED BY HIGHER PERSONNEL COSTS (SALARIES, RATINGS). ECONOMIC DEVELOPMENT AND OVERSEAS AID

EXPENDITURES ARE CORRESPONDINGLY UP--FROM 63 PERCENT TO 71 PERCENT OF THE EXTRAORDINARY BUDGET. (FROM THE PRELIMINARY INFORMATION GIVEN THE INCREASE IN THIS CATEGORY APPEARS TO BE ATTRIBUTABLE MORE TO DOMESTIC ECONOMIC DEVELOPMENT THAN TO OVERSEAS ASSISTANCE.)

C. THE 1975 BUDGET IS MEANT TO BE EXPANSIONARY. DEFICIT SPENDING AND EMPHASIS ON PUBLIC INVESTMENT ARE DESIGNED TO ACCOMPLISH THIS GOAL. THE BUDGET DOCUMENT EXPRESSES THE HOPE THAT GOVERNMENT INVESTMENT OUTLAYS WILL STIMULATE OVERALL INVESTMENT, LARGELY STAGNANT SINCE APRIL 25.

D. THE CHIEF BENEFICIARIES OF BUDGET INCREASES THIS YEAR ARE NOT UNLIKE THOSE OF LAST, WITH PUBLIC WORKS AND HOUSING, TRANSPORTATION AND COMMUNICATIONS, HEALTH, AND EDUCATION LEADING THE PACK. WITH A CURRENT GOP EMPHASIS ON LOW-COST HOUSING, THE SECRETARIAT OF STATE FOR PUBLIC WORKS AND HOUSING IS THE BIG GAINER--ITS SHARE OF THE OVERALL BUDGET IS UP BY SOME 250 PERCENT.

3. IN THE SWITCH TO PEACETIME, NON-MILITARY AID TO THE OVERSEAS HAS NOT BEEN FORGOTTEN. THE EXACT AMOUNT ALLOTTED TO FORMER AND EXISTING TERRITORIES IS NOT YET CLEAR, BUT INDICATIONS ARE THAT IT IS SOMEWHAT LARGER THAN THAT CONTAINED IN THE 1974 BUDGET PRESENTATION.

F. THE APPROXIMATELY 42 PERCENT INCREASED IN TOTAL EXPENDITURES IN THE 1975 BUDGET OVER THOSE OF 1974 IS ACCOUNTED FOR IN LARGE PART BY INCREASED GOVERNMENT SALARIES AND BENEFITS, BOTH CIVILIAN AND MILITARY, CONCEDED SINCE APRIL 25, 1974, AND BY INFLATIONARY INFLUENCES IN THE FORM OF HIGHER PRICES FOR STATE PURCHASES OF GOODS AND SERVICES.

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PAGE 04 LISBON 00165 131340Z

COMMENT: AS AN ECONOMIC DOCUMENT, THE BUDGET STRUCTURALLY SHOWS NO RADICAL CHANGE FROM THE PAST. THE GOP, PREOCCUPIED WITH OTHER PROBLEMS, HAS GIVEN A MAJOR BUDGET OVERHAUL A LOW PRIORITY. NEVERTHELESS, THE GOVERNMENT IS TO BE COMMENDED FOR TRYING TO ELIMINATE THE CONFUSIONS--UNDER-ESTIMATIONS, DISGUISED BUDGET BALANCE--THAT MADE BUDGETS IN THE PAST SUCH A FRUSTRATING DOCUMENT TO USE AND COMPREHEND. AS A STATEMENT OF POLITICAL INTENTIONS, THE BUDGET IS MODERATE. ITS DRAFTERS MAINTAIN THAT IT FOLLOWS PRECEPTS LAID DOWN BY THE ARMED FORCES MOVEMENT. AN APPEAL IS MADE FOR AN INCREASE IN PRODUCTIVITY, PARTICULARLY IN THE PUBLIC SECTOR, AND FOR ECONOMIC AUSTERITY. AS IT FORECLOSES NO MAJOR OPTIONS, IT IS A DOCUMENT WHICH NONE OF THE LEADING POLITICAL ELEMENTS IN THE COUNTRY SHOULD HAVE DIFFICULTY IN ACCEPTING.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC CONDITIONS, CERP 0200
Control Number: n/a
Copy: SINGLE
Draft Date: 13 JAN 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: MorefiRH
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975LISBON00165
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750012-0785
From: LISBON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750157/aaaabyhw.tel
Line Count: 169
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 LISBON A-23, 75 OF FEBRUARY 14, 75 1974
Review Action: RELEASED, APPROVED
Review Authority: MorefiRH
Review Comment: n/a
Review Content Flags:
Review Date: 16 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <16 APR 2003 by MartinML>; APPROVED <16 MAY 2003 by MorefiRH>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PRELIMINARY INFORMATION ON PORTUGAL'S 1975 BUDGET
TAGS: EFIN, ECON, PO
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006